

**LOUISIANA ENERGY AND POWER AUTHORITY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 23 2014**

# LOUISIANA ENERGY AND POWER AUTHORITY

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# WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

Certified Public Accountants  
100 Petroleum Drive, 70508  
P.O. Box 80569 • Lafayette, Louisiana 70598-0569  
(337) 232-3637 • Fax (337) 235-8557  
[www.wmddh.com](http://www.wmddh.com)

## INDEPENDENT AUDITORS' REPORT

JOHN W. WRIGHT, CPA \*

JAMES H. DUPUIS, CPA, CFP \*

JAN H. COWEN, CPA \*

LANCE E. CRAPPELL, CPA, CGMA \*

MICAH R. VIDRINE, CPA \*

TRAVIS M. BRINSKO, CPA \*

RICK L. STUTES, CPA, CVA/ABV, APA \*

CHRISTINE R. DUNN, CPA\*\*

DAMIAN H. SPIESS, CPA, CFP \*\*

JOAN MARTIN, CPA, CVA, CFF, DABFA\*\*

BRIDGET B. TILLEY, CPA, MT\*\*

\* A PROFESSIONAL CORPORATION  
\*\* A LIMITED LIABILITY COMPANY

M. TROY MOORE, CPA \*\*  
MICHAEL G. DEHART, CPA \*\*  
JOE D. HUTCHINSON, CPA \*\*

+RETIRED



STEPHANIE A. BLANK, CPA

ROBERT T. DUCHARME, II, CPA

STEFAN HAWKINS, CPA

KAYLEEN HOWARD, CPA

MARY PATRICIA KEELEY, CPA

STEPHANIE LADNER, CPA

ROBIN T. LeBLANC, CPA

WENDY ORTEGO, CPA, CVA

ROBIN ROOT, CPA

ROBIN G. STOCKTON, CPA

TINA B. VIATOR, CPA

To the Board of Directors  
Louisiana Energy and Power Authority  
Lafayette, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana Energy and Power Authority, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Louisiana Energy and Power Authority, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we have obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Louisiana Energy and Power Authority's financial statements as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2014, on our consideration of the Louisiana Energy and Power Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson*

WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, L.L.C.  
Certified Public Accountants

April 1, 2014  
Lafayette, Louisiana

# LOUISIANA ENERGY AND POWER AUTHORITY

## Management's Discussion and Analysis

December 31, 2013

The following Management's Discussion and Analysis is intended to serve as an introduction to the December 31, 2013 and 2012 financial statements of the Louisiana Energy and Power Authority (LEPA), a political subdivision of the State of Louisiana. The discussion should be read in conjunction with the Audited Financial Statements and Notes to Financial Statements, which follow.

LEPA's operations consist of two major programs - the 20% ownership of the Rodemacher Unit No. 2 (Project) and the wholesale power sales to member participants (Non-Project). Further information on these programs can be found in the Notes to the Financial Statements.

### Basic Financial Statements

The basic financial statements are prepared to provide the reader with a comprehensive overview of LEPA's statement of position and operations. For accounting purposes, LEPA is a political subdivision of the State of Louisiana that is engaged in a business-type activity, principally as a supplier of wholesale electricity to the member participants. As such, LEPA's financial statements are presented as an enterprise type fund, that is, similar to the financial statements of a private sector for-profit entity involved in the same type of business.

The statements of net position present information on all of LEPA's assets and liabilities. Utility plant includes those assets which are currently in service as well as construction in progress. Restricted assets include cash, cash equivalents, and investments legally restricted by debt covenants. Current assets, other assets and liabilities are reported based on their liquidity. The statements of revenues, expenses and changes in fund net position present both current and prior year revenues and expenses. Operating results are reported separately from non-operating activities.

The statement of cash flows is presented using the direct method. This method outlines the sources and uses of cash as it relates to operating income. Included in the cash flows are classifications for capital related financing activities and investing activities.

### Financial Highlights

The decrease in net position at December 31, 2013, as compared to December 31, 2012, results from the net decrease for the period of \$3,657,787. This decrease is further allocated between project and non-project as net increase for the project of \$332,187 and net decrease for non-project of \$3,989,974.

LEPA is, by design, a zero profit entity. All costs for the Project are passed through to the participants. All Non-Project energy costs are passed through in full to the full requirements members. The demand rate is set each year at a level sufficient, at projected demand volumes, to cover all budgeted Non-Project costs, excluding energy related costs. Any income or loss results from expenditures for capitalized assets and variances between budgeted and actual revenues and expenses.

The net increase in assets for the Project was \$332,187. The following items accounted for this increase:

- Expenditures for capitalized assets at the Rodemacher facility. Project participants are billed for budgeted amounts to cover capital expenditures. The amounts billed are included in revenue with the offsetting expenditures being capitalized rather than expensed. The result is an increase in net assets equal to the amount expended for capital items.
- Capitalization of the net interest costs associated with the Series 2013 Power Project Revenue Bonds. Project participants were invoiced for the amount of the interest cost. The amount invoiced was included in revenue, however the net interest cost for the project were capitalized. The result is an increase in net position equal to the net capitalized costs.
- Expenditures for the bond issuance costs associated with the Series 2013 Power Project Revenue Bonds.

The change in the net position for Non-Project activities was a decrease of \$3,989,974. The following items accounted for this difference:

- Transmission costs incurred in 2013 were above anticipated amounts primarily due to network transmission charges for both Energy and Cleco were higher than anticipated. Additionally, metering upgrades were required for Entergy Network Integrated Transmission Services (NITS).
- Expenditures for the bond issuance costs associated with the Series 2013a Power Project Revenue Bonds.

While the financial statements reflect a decrease in net position for Non-Project activities for 2013 of \$3,989,974, LEPA incurred a non-project budget deficit for the year of \$190,802.

The reconciliation of the change in net position to the budget surplus (deficit) is as follows:

|                               | Project     | Non-Project    | Total          |
|-------------------------------|-------------|----------------|----------------|
| Decrease in net position      | \$ 332,187  | \$ (3,989,973) | \$ (3,657,786) |
| Depreciation                  | 2,160,000   | 220,896        | 2,380,896      |
| Bond Issuance Cost            | 572,021     | 3,563,236      | 4,135,257      |
| Debt service                  | (2,160,000) |                | (2,160,000)    |
| Capital expenditures          | (50,407)    | (9,454)        | (59,861)       |
| Net Capitalized Interest      | (855,605)   |                | (855,605)      |
| Unrealized Loss on Securities | 1,804       | 24,493         | 26,297         |
| Budget surplus (deficit)      | \$ -        | \$ (190,802)   | \$ (190,802)   |

### Capital Projects

During 2013, the joint owners of the Rodemacher Unit No. 2 power plant (LEPA, Cleco Power LLC and Lafayette Public Power Authority) began making the necessary environmental upgrades required to be compliant with the maximum achievable control technology standards (MATS) established by the Environmental Protection Agency (EPA). The projected capital cost of LEPA 20% share of the project is \$26,865,795. The upgrades are being funded from the proceeds of the \$28,590,000 Power Project Revenue Bonds (Series 2013) issued May 1, 2013. The upgrades are anticipated to be complete in the summer of 2014.

Also during 2013, LEPA began the development and construction of a 64 megawatt combine cycle combustion turbine generating resource (LEPA Unit No. 1) for the purpose of providing electric power and energy to the project participants. Construction of the facility is projected to be \$104,678,137, in addition to the \$3,334,114 of cost previously expended by LEPA. Funding of the project is to be from the proceeds of the \$120,770,000 Power Project Revenue Bonds (Series 2013a) issued October 17, 2013. The facility is anticipated to be online in the fall of 2015.

### LEPA's Membership in MISO RTO

On December 19, 2013, LEPA integrated into the MISO regional transmission organization (MISO RTO). LEPA relies on the transmission systems of Entergy and Cleco for supplying transmission service to its members and elected to transition into the MISO RTO simultaneously with Entergy.

MISO is an independent, non-profit regional transmission organization, responsible for maintaining reliable transmission of power in eleven U.S. states and the Canadian province of Manitoba. In the MISO RTO, the efficient use of generation and transmission is managed by MISO primarily through the operation of Day-Ahead Energy and Operating Reserves Market, Real-Time Energy and Operating Reserves Market, Financial Transmission Rights Market, and Resource Adequacy Market. Locational marginal pricing is utilized to manage congestion and price energy at physical nodes on the transmission system. Financial Transmission Rights obtained, either through the conversion of Auction Revenue Rights allocations or by purchase, allow participants to hedge transmission congestion cost risk from serving load or other market transactions.

Upon its integration into MISO, LEPA will become a local balancing authority (LBA) in MISO. As a LBA, LEPA will be responsible for sending the net actual interchange by interface and the individual tie line inflows to the MISO balancing authority. LEPA will be responsible for monitoring member generation systems in real-time and for sending dispatch signals received from the MISO balancing authority to LEPA's generation plants.



On June 1, 2013 as part of its future integration into MISO, LEPA also began receiving reliability coordination services from MISO. MISO acts as the designated North American Electric Reliability Corporation (NERC) reliability coordinator for the interconnected bulk of electric transmission systems throughout MISO's footprint. In its role as reliability coordinator, MISO ensures the operating reliability of these systems on a planning basis and for real-time system operations.

Through participation in MISO, LEPA and its members should benefit from the MISO wide dispatch of its generating units in coordination with other generating resources in MISO.

## Financial Analysis

### Financial Position

Total assets, liabilities and net position at December 31, 2013 and 2012 are as follows (stated in thousands):

|  | 2013              | 2012             |
|--|-------------------|------------------|
| Current assets                                     | \$ 17,035         | \$ 16,289        |
| Restricted assets                                  | 144,127           | 13,464           |
| Deferred charges                                   | -                 | 2,011            |
| Property, plant and equipment                      | 28,535            | 8,075            |
| Total assets                                       | <u>\$ 189,697</u> | <u>\$ 39,839</u> |
| Current liabilities                                | \$ 15,294         | \$ 9,470         |
| Current liabilities payable from restricted assets | 4,266             | 9,295            |
| Non-current liabilities                            | 155,172           | 2,451            |
| Total liabilities                                  | <u>174,732</u>    | <u>21,216</u>    |
| Net position:                                      |                   |                  |
| Invested capital net of related debt               | (11,101)          | 791              |
| Restricted assets for debt service                 | 19,102            | 9,295            |
| Unrestricted net position                          | 6,964             | 8,537            |
| Total net position                                 | <u>14,965</u>     | <u>18,623</u>    |
| Total liabilities and net position                 | <u>\$ 189,697</u> | <u>\$ 39,839</u> |

The components of current assets for 2013 and 2012 are as follows (stated in thousands):

|                             | 2013             | 2012             |
|-----------------------------|------------------|------------------|
| Cash                        | \$ 7,978         | \$ 7,663         |
| Accounts receivable         |                  |                  |
| Project                     | (2,632)          | (754)            |
| Non-project                 | 5,552            | 5,236            |
| Fuel inventory              | 5,775            | 3,978            |
| Accrued interest receivable | 187              | -                |
| Prepaid assets              | 175              | 166              |
| Current assets              | <u>\$ 17,035</u> | <u>\$ 16,289</u> |

The coal inventory at Rodemacher increased from 87,913 tons valued at \$3,942,650 at December 31, 2012 to 124,262 tons valued at \$5,731,234 at December 31, 2013, an increase of 36,349 tons. Actual tons burned for the year totaled 407,132, lower than projected burns of 498,700 tons.

The restricted assets were composed of the following (stated in thousands):

|   | 2013              | 2012             |
|---|-------------------|------------------|
| Renewal and replacement fund - Rodemacher | \$ 4,619          | \$ 3,027         |
| Debt service fund - Rodemacher            | 3,017             | 9,295            |
| Debt service reserve fund - Rodemacher    | 3,275             | -                |
| Contingency fund - Rodemacher             | 1,142             | 1,142            |
| Construction fund - Rodemacher            | 19,283            | -                |
| Cost of issuance fund - Rodemacher        | 15                | -                |
| Construction fund - LEPA Unit 1           | 99,834            | -                |
| Capitalized interest fund - LEPA Unit 1   | 12,810            | -                |
| Cost of issuance fund - LEPA Unit 1       | 132               | -                |
| Restricted assets                         | <u>\$ 144,127</u> | <u>\$ 13,464</u> |

The increase in the renewal and replacement fund is a timing difference. The assessment to the participants for capital projects is set each year with the adoption of the Rodemacher budgets. The amount assessed is based upon the capital budget, as provided by Cleco. The amounts billed to the participants are transferred to the renewal and replacement fund as collected. Disbursements from the fund are made on a monthly basis, as Cleco invoices LEPA for the capital costs at the Rodemacher facility. The balance of the renewal and replacement fund increases or decreases based upon the difference between the amount collected and the amount disbursed.

The components of property and equipment are as follows (stated in thousands):

|                                | 2013             | 2012            |
|--------------------------------|------------------|-----------------|
| Electric plant                 | \$ 90,166        | \$ 87,830       |
| Central dispatch facility      | 2,899            | 2,899           |
| Non-utility property           | 1,461            | 1,452           |
| Land                           | 100              | 100             |
| Capacitor bank                 | 2,927            | 2,927           |
| Construction work in progress: |                  |                 |
| Project (Rodemacher)           | 11,138           | 2,613           |
| Non-project (LEPA Unit 1)      | 11,945           | -               |
| Accumulated depreciation       | (92,101)         | (89,746)        |
| Property and equipment         | <u>\$ 28,535</u> | <u>\$ 8,075</u> |

Construction projects at the Rodemacher facility are transferred to the electric plant account when Cleco informs LEPA that a project work order is completed and has been closed. Similarly, retirement of an asset occurs when Cleco informs LEPA that an asset is being taken out of service. During 2013, capital projects totaling \$2,360,224 were closed and transferred to electric plant. In addition, during 2013, Cleco informed LEPA that assets costing \$26,146 (LEPA's cost) were being retired from service. Additionally, net interest costs of \$549,086 were capitalized and included as part of the cost of the MATS compliance project.

Construction work in progress – project represents costs incurred for the capital projects at the Rodemacher facility. The total of capital costs billed to LEPA to date was \$10,272,071. Additionally, net interest costs of \$549,086 were capitalized and included as part of the cost of the MATS compliance project.



The following schedule provides a breakdown of the costs incurred for the major projects during 2013 as well as a breakdown of the projects remaining in construction in progress:

|                                   | 2013                 | Total<br>In Progress |
|-----------------------------------|----------------------|----------------------|
| MATS compliance project           | \$ 9,341,060         | \$ 10,272,071        |
| Installation of SNCR boiler       | 599,120              | -                    |
| Energy package modernization      | 164,563              | 164,563              |
| Switchgear upgrades               | 65,108               | -                    |
| Other projects less than \$25,000 | 166,605              | 152,325              |
| Total                             | <u>\$ 10,336,456</u> | <u>\$ 10,588,959</u> |

Cleco has provided LEPA with an estimated capital budget for the 5 year period from 2014 to 2018. This budget is presented in the table below. As detailed, major capital expenditures will be incurred in 2014 for the MATS compliance project and the RU2 energy package modernization. It should be noted that the amounts reflected in this budget are based upon the best estimate of costs available to Cleco at the time of the budget preparation and are subject to revision as the project dates draw closer.

Estimated capital budgets for 2014 thru 2018 (stated in thousands):

|                                   | 2014                 | 2015              | 2016             | 2017             | 2018             |
|-----------------------------------|----------------------|-------------------|------------------|------------------|------------------|
| MATS compliance project           | \$ 16,345,925        | \$ -              | \$ -             | \$ -             | \$ -             |
| RPS2 energy package modernization | 858,772              | -                 | -                | -                | -                |
| ROPS-2 feeder bus duct            | 358,517              | -                 | -                | -                | -                |
| Purchase dozer                    | 301,345              | -                 | -                | -                | -                |
| Projects under \$250,000          | 824,730              | 103,969           | 54,223           | 34,124           | 34,170           |
| Total                             | <u>\$ 18,689,289</u> | <u>\$ 103,969</u> | <u>\$ 54,223</u> | <u>\$ 34,124</u> | <u>\$ 34,170</u> |

As previously mentioned, LEPA began two major capital projects in 2013.

Work began in 2013 on the environmental upgrades at the Rodemacher power station for compliance with the maximum achievable control technology standards established by the EPA. The total projected cost of the MATS project is \$26,865,795. A total of \$10,272,071 was expended in 2013 with the balance of \$16,593,724 to be expended in 2014.

In 2013, LEPA began the development and construction of a 64 megawatt combined cycle combustion turbine generating resource (LEPA Unit No 1) in Morgan City, LA. As part of this project, contracts totaling \$41,952,385 were signed in 2013 for the major components of the power station. Additionally, an engineering, procurement and construction contract totaling \$58,966,407 was executed in January 2014. Of the total amount committed, \$9,315,400 had been expended as of December 31, 2013.

Current liabilities consisted of the following (stated in thousands):

|   | 2013             | 2012             |
|---|------------------|------------------|
| Accounts payable:                         |                  |                  |
| Project                                   | \$ 1,347         | \$ 1,855         |
| Non-project                               | 6,799            | 2,895            |
| Due to participants:                      |                  |                  |
| Coal pile responsibility                  | 3,502            | 2,118            |
| Renewal and replacement assessments       | 3,646            | 2,602            |
| Current portion of revenue bonds payable: |                  |                  |
| Series 2000 bonds (Rodemacher)            | -                | 9,035            |
| Series 2013 bonds (Rodemacher)            | 2,160            | -                |
| Accrued interest payable:                 |                  |                  |
| Series 2000 bonds (Rodemacher)            | -                | 260              |
| Series 2013 bonds (Rodemacher)            | 857              | -                |
| Series 2013a bonds (LEPA Unit 1)          | 1,249            | -                |
| Current liabilities                       | <u>\$ 19,560</u> | <u>\$ 18,765</u> |

The coal pile responsibility liability represents amounts collected from Project participants to fund the cost of maintaining the coal inventory. LEPA has the responsibility to maintain the base inventory (25,556 tons totaling \$1,204,571) which represents the inventory purchased when LEPA acquired the Rodemacher facility. The Project participants are responsible for funding all inventory levels above the base level. The funds are collected from or refunded to the participants as inventory levels fluctuate each month. The coal inventory levels at Rodemacher increased from 87,913 tons at December 31, 2012 to 124,262 tons at December 31, 2013.

The balance for renewal and replacement assessments represents the assessments included in the monthly billings to the Project participants for the capital expenditures at the Rodemacher facility. The assessment is calculated each year in preparing the Rodemacher budget based upon the projected capital expenditures for the year, as provided by Cleco. Since the amounts collected exceeded the amounts expended, the liability to the participants increased. Additionally, expenditures made for the MATS compliance project prior to the issuance of the revenue bonds were reimbursed to the renewal and replacement funds from the bond proceeds.

Non-current liabilities consisted of the following (stated in thousands):

|                                  | 2013              | 2012            |
|----------------------------------|-------------------|-----------------|
| Revenue bonds payable            |                   |                 |
| Series 2013 bonds (Rodemacher)   | \$ 26,430         | \$ -            |
| Series 2013a bonds (LEPA Unit 1) | 120,770           | -               |
| Unamortized bond premium         |                   |                 |
| Series 2013 bonds (Rodemacher)   | 3,751             | -               |
| Series 2013a bonds (LEPA Unit 1) | 3,536             | -               |
| Accrued compensated absences     | 685               | 701             |
| Development funding payable      | -                 | 1,750           |
| Non-current liabilities          | <u>\$ 155,172</u> | <u>\$ 2,451</u> |

In 2013, LEPA had two power project revenue bond issues.

On May 1, 2013, LEPA issued \$28,590,000 of Power Project Revenue Bonds (Rodemacher Unit 2), 2013 Series Bonds. The Series 2013 bonds were issued to provide monies which, together with other available funds, will be sufficient to pay for LEPA's share of the costs associated with the environmental upgrade capital improvements at Rodemacher Unit 2 to achieve compliance with new EPA proposed Mercury and Air Toxics Standards rule (MATS). The Series 2013 bonds will mature annually on January 1 with interest payments being made semi-annually on July 1 and January 1.

The coupon rates for the bonds range from 3.00% to 5.00%, however, since the bonds were issued at premium, the annual yield ranges from 0.48% to 5.00%. The all inclusive cost for the Series 2013 bonds is 2.50%. The final maturity of the Series 2013 bonds is January 1, 2023. The Series 2013 bonds are payable solely and secured solely by a pledge of the net revenues of the Rodemacher Unit 2 project and from other funds pledged therefore. The net revenues include all amounts derived from the ownership and operation of the Rodemacher Unit 2 project and consist principally of the payments made by the member participants to LEPA under their respective power sales contracts.

On October 17, 2013, LEPA issued \$120,770,000 of Power Project Revenue Bonds (LEPA Unit No. 1), Series 2013A. The Series 2013A bonds are being issued for (i) the purpose of acquiring, constructing and equipping a 64 megawatt combined cycle combustion turbine electric generating unit in Morgan City, Louisiana and a gas transmission line for natural gas services to LEPA Unit No 1, (ii) funding a deposit to the capitalized interest account, and (iii) paying costs of issuance of the Series 2013A bonds. The Series 2013A bonds mature annually with principal payments made on June 1 and interest payments made semi-annually on June 1 and December 1. The coupon rate for the bonds range from 3.00% to 5.25%, however since the bonds were issued at a premium, the annual yield ranges from 1.54% to 5.10%. The all inclusive cost for the Series 2013A bonds is 5.05%. The final maturity of the Series 2013 A bonds is June 1, 2044. The Series 2013A bonds are payable solely from and secured solely by a pledge of the net revenues of the LEPA Unit No. 1 project and from other funds pledged therefor. The net revenues include all amounts derived from the ownership and operation of the LEPA Unit No. 1 project and consist principally of the payments made by the member participants to LEPA under their respective power sales contracts.

### Operations

Components of LEPA's operating revenues, operating expenses, and non-operating and investment income (loss) for the years ended December 31, 2013 and 2012 follows (stated in thousands):

|                                       | 2013       | 2012       |
|---------------------------------------|------------|------------|
| Operating revenues                    | \$ 72,969  | \$ 76,185  |
| Operating expenses:                   |            |            |
| Cost of power produced                | 32,052     | 34,902     |
| Power purchased                       | 30,317     | 27,275     |
| Transmission costs                    | 5,144      | 4,436      |
| General and administrative            | 2,681      | 2,821      |
| Depreciation                          | 2,380      | 6,878      |
| Operating expenses                    | 72,574     | 76,312     |
| Operating income                      | 395        | (127)      |
| Investment and other income           | 108        | 70         |
| Debt expenses                         | (4,135)    | (282)      |
| Decrease in fair value of investments | (26)       | -          |
| Amortization                          | -          | (2,614)    |
| Change in net position                | \$ (3,658) | \$ (2,953) |

The operating income for 2013 and 2012 shown in the schedule above is comprised of the following components (stated in thousands):

|                                    | 2013      | 2012      |
|------------------------------------|-----------|-----------|
| Rodemacher power sales             | \$ 26,756 | \$ 32,326 |
| Full requirement power sales       | 35,551    | 33,648    |
| Load control power sales           | 10,143    | 8,424     |
| Rodemacher replacement power sales | -         | 688       |
| Hydro power sales                  | 376       | 373       |
| Other power sales                  | 117       | 701       |
| Other operating income             | 25        | 25        |
| Operating revenues                 | \$ 72,968 | \$ 76,185 |



The volumes of energy delivered during the years of 2013 and 2012 were:

|                                   | 2013<br>MWH      | 2012<br>MWH      |
|-----------------------------------|------------------|------------------|
| Project participants              | 555,041          | 601,855          |
| Full requirement members          | 635,588          | 621,259          |
| Terrebonne Parish load control    | 245,641          | 216,258          |
| Alexandria rodemacher replacement | -                | 21,780           |
| Hydropower                        | 9,394            | 7,560            |
| Other power sales                 | 238              | 16,331           |
| Energy delivered                  | <u>1,445,902</u> | <u>1,485,043</u> |

The Rodemacher power sales represent the energy delivered from the Rodemacher power station to the three Project participants that are not full requirement members under the Rodemacher Power Sales Contracts. The remaining two Project participants have assigned their Rodemacher entitlements to the full requirements pool under the current Agreement for the Purchase of Rodemacher Unit No. 2 Project Capacity.

The breakdown of the components of the Rodemacher revenue follow (stated in thousands):

|                               | 2013             |                 | 2012          |                 |
|-------------------------------|------------------|-----------------|---------------|-----------------|
|                               | Revenue          | Cost per<br>MWH | Revenue       | Cost per<br>MWH |
| Energy related costs          | \$ 18,160        | 32.72           | 21,006        | 34.90           |
| Power related costs           | 5,940            | 10.70           | 537           | 9.20            |
| Debt service costs            | 2,466            | 4.44            | 3,829         | 6.36            |
| Renewal and replacement costs | 1,083            | 1.95            | 1,961         | 3.26            |
| Interest earnings             | (28)             | (0.05)          | (7)           | (0.01)          |
| Rodemacher power sales        | <u>\$ 27,621</u> | <u>49.76</u>    | <u>27,326</u> | <u>53.71</u>    |

The amounts billed to the Project participants for energy delivered from the Rodemacher facility are a direct pass through of costs incurred. The total cost decreased from \$53.71 per MWH to \$49.76 per MWH, as detailed in the schedule above. This reduction was attributable primarily to the reduction in debt service costs and the renewal and replacement assessments.

The full requirement revenues represent energy delivered to the seven full requirement members under the Full Requirements Service Agreements currently in place. The components of the full requirement revenue are as follows (stated in thousands):

|                              | 2013             |                 | 2012             |                 |
|------------------------------|------------------|-----------------|------------------|-----------------|
|                              | Revenue          | Cost per<br>MWH | Revenue          | Cost per<br>MWH |
| Energy charges               | \$ 25,017        | \$ 39.36        | \$ 23,134        | \$ 37.24        |
| Demand charges               | 10,534           | 16.57           | 10,514           | 16.92           |
| Full requirement power sales | <u>\$ 35,551</u> | <u>\$ 55.93</u> | <u>\$ 33,648</u> | <u>\$ 54.16</u> |

The decrease in the full requirements revenue was caused by changes in the following factors (stated in thousands):

|               |                 |
|---------------|-----------------|
| Energy price  | \$ 1,154        |
| Energy volume | 720             |
| Demand price  | -               |
| Demand volume | 29              |
| Net Decrease  | <u>\$ 1,903</u> |

The energy charge is a direct pass through of energy costs. The energy cost factor (ECF), which is the measurement of the cost of energy delivered to the full requirement members, is calculated on a monthly basis based upon the actual energy costs incurred for LEPA generation and purchases. The average ECF for the year increased from \$37.25 per MWH in 2012 to \$39.05 per MWH in 2013. The volume of energy delivered remained fairly stable, increasing by 19,329 MWH, or 3.1%.

The demand rate is set at a level sufficient, at projected demand levels, to cover all budgeted non-project costs, excluding energy costs. The rate is set annually with the adoption of the full requirements budget. The demand rate for 2013 remained at the level of \$7.35 per KW set for 2012. The demand volume increased by 7,166 KW, or 0.5%.

The load control power sales represent delivery of energy to the Terrebonne Parish Consolidated Government under the current load control services agreement. The average price per MWH for energy delivered to Terrebonne Parish under this agreement increased from \$38.95 per MWH in 2012 to \$39.84 per MWH in 2013. The volume of energy delivered increased by 17.7%, from 216,258 MWH in 2012 to 254,641 MWH in 2013.

Energy for 2013 and 2012 was received from the following sources:

|                            | 2013<br>MWH | 2012<br>MWH |
|----------------------------|-------------|-------------|
| Generation:                |             |             |
| Rodemacher power station   | 650,385     | 706,343     |
| Other LEPA operated plants | 45,131      | 59,298      |
| Purchases                  | 776,297     | 731,587     |
| Energy received            | 1,471,813   | 1,497,228   |

Rodemacher generation decreased by 55,958 MWH from 2012 to 2013, or 7.9%. The equivalent availability factor of the unit decreased from 88.94% in 2012 to 85.62% in 2013. Of the total Rodemacher generation of 650,385 MWH, 555,041 MWH were delivered to the three project participants and the remaining 95,344 MWH were delivered to the full requirements pool.

The breakdown of the components of the cost of power produced is as follows (stated in thousands):

|                             | 2013      | 2012      |
|-----------------------------|-----------|-----------|
| Rodemacher power station:   |           |           |
| Variable costs              | \$ 21,614 | \$ 24,653 |
| Fixed costs                 | 4,129     | 3,614     |
| Other LEPA operated plants: |           |           |
| Variable costs              | 2,830     | 2,974     |
| Fixed costs                 | 3,479     | 3,661     |
| Cost of power produced      | \$ 32,052 | \$ 34,902 |

The Rodemacher variable costs consist of the cost of coal consumed, cost of natural gas and reagents consumed and the Cleco management fee, as per Section 38 of the Joint Ownership Agreement. The cost of coal includes the purchase price of the coal as well as the transportation and handling costs. The energy costs decreased from \$34.90 per MWH in 2012 to \$33.23 per MWH in 2013. The decrease was driven primarily by the decrease in the contracted price of coal, from \$14.25 per ton in 2012 to \$12.00 per ton in 2013. The average delivered price of coal decreased from \$50.83 per ton in 2012 to \$48.89 per ton in 2013.

The variable costs for the other LEPA operated plants consist primarily of fuel. The average cost of fuel increased from \$50.15 per MWH in 2012 to \$62.72 per MWH in 2013.

The volume of energy purchased during 2013 increased by 44,710 MWH over the 2012 volumes. The average price per MWH for energy purchased increased from \$36.20 per MWH in 2012 to \$36.30 per MWH in 2013.

This financial report is designed to provide interested parties with a general overview of LEPA's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Louisiana Energy and Power Authority, 210 Venture Way, Lafayette, Louisiana 70507-5319.



**LOUISIANA ENERGY AND POWER AUTHORITY**

**STATEMENTS OF NET POSITION  
DECEMBER 31, 2013 AND 2012**

|                                      | <u>2013</u>           | <u>2012</u>          |
|--------------------------------------|-----------------------|----------------------|
| <b>ASSETS</b>                        |                       |                      |
| <b>CURRENT ASSETS</b>                |                       |                      |
| Cash                                 | \$ 7,978,396          | \$ 7,663,404         |
| Accounts Receivable                  | 2,919,850             | 4,482,111            |
| Fuel Inventory                       | 5,774,766             | 3,977,463            |
| Accrued Interest Receivable          | 186,549               | 77                   |
| Prepaid Expenses                     | <u>175,622</u>        | <u>165,970</u>       |
| Total Current Assets                 | <u>17,035,183</u>     | <u>16,289,025</u>    |
| <b>NON-CURRENT ASSETS</b>            |                       |                      |
| <b>RESTRICTED ASSETS</b>             |                       |                      |
| Cash                                 |                       |                      |
| Renewal and Replacement              | 4,619,137             | 3,027,445            |
| Contingency                          | 1,142,000             | 1,142,000            |
| Debt Service                         | 3,017,167             | 9,294,756            |
| Debt Service Reserve                 | 24,882                | -                    |
| Construction Fund                    | 35,041,603            | -                    |
| Capitalized Interest Fund            | 39                    | -                    |
| Cost of Issuance Fund                | 146,928               | -                    |
| Investments                          |                       |                      |
| Debt Service Reserve                 | 3,249,556             | -                    |
| Construction Fund                    | 84,075,270            | -                    |
| Capitalized Interest Fund            | <u>12,810,367</u>     | <u>-</u>             |
| Total Restricted Assets              | <u>144,126,949</u>    | <u>13,464,201</u>    |
| <b>DEFERRED CHARGES</b>              |                       |                      |
| Development Costs CCT Project        | <u>-</u>              | <u>2,010,325</u>     |
| Total Deferred Charges               | <u>-</u>              | <u>2,010,325</u>     |
| <b>PROPERTY, PLANT AND EQUIPMENT</b> |                       |                      |
| Utility Plant                        | 113,247,626           | 90,442,888           |
| Central Dispatch Facility            | 2,999,277             | 2,999,277            |
| Capacitor Bank                       | 2,927,727             | 2,927,727            |
| Non-utility Property                 | <u>1,461,265</u>      | <u>1,451,810</u>     |
| Total                                | 120,635,895           | 97,821,702           |
| Less: Accumulated Depreciation       | <u>(92,101,118)</u>   | <u>(89,746,368)</u>  |
| Net Property, Plant and Equipment    | <u>28,534,777</u>     | <u>8,075,334</u>     |
| Total Non-Current Assets             | <u>172,661,726</u>    | <u>23,549,860</u>    |
| <b>TOTAL ASSETS</b>                  | <u>\$ 189,696,909</u> | <u>\$ 39,838,885</u> |

The Accompanying Notes are an Integral Part of These Statements.

**LOUISIANA ENERGY AND POWER AUTHORITY**

**STATEMENTS OF NET POSITION  
DECEMBER 31, 2013 AND 2012**

|   | <u>2013</u>           | <u>2012</u>          |
|---|-----------------------|----------------------|
| <b>LIABILITIES AND FUND NET POSITION</b>                  |                       |                      |
| <b>CURRENT LIABILITIES</b>                                |                       |                      |
| Accounts Payable  | \$ 8,145,893          | \$ 4,750,386         |
| Due to Other Governments                                  | <u>7,147,805</u>      | <u>4,720,029</u>     |
| Total Current Liabilities                                 | <u>15,293,698</u>     | <u>9,470,415</u>     |
| <b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b> |                       |                      |
| Accrued Interest Payable                                  | 2,106,086             | 259,756              |
| Current Portion of Revenue Bonds Payable                  | <u>2,160,000</u>      | <u>9,035,000</u>     |
| Total Current Liabilities Payable From Restricted Assets  | <u>4,266,086</u>      | <u>9,294,756</u>     |
| <b>NON-CURRENT LIABILITIES</b>                            |                       |                      |
| Revenue Bonds Payable                                     | 147,200,000           | -                    |
| Less: Unamortized Premium                                 | 7,286,575             | -                    |
| Accrued Compensated Absences                              | 685,112               | 700,489              |
| Development Funding Payable                               | <u>-</u>              | <u>1,750,000</u>     |
| Total Non-Current Liabilities                             | <u>155,171,687</u>    | <u>2,450,489</u>     |
| <b>TOTAL LIABILITIES</b>                                  | <u>\$ 174,731,471</u> | <u>\$ 21,215,660</u> |
| <b>FUND NET POSITION</b>                                  |                       |                      |
| Invested in Capital Assets, Net of Related Debt           | \$ (11,101,011)       | \$ 790,903           |
| Restricted for Debt Service                               | 19,102,011            | 9,294,756            |
| Unrestricted  | <u>6,964,438</u>      | <u>8,537,566</u>     |
| <b>TOTAL FUND NET POSITION</b>                            | <u>\$ 14,965,438</u>  | <u>\$ 18,623,225</u> |

The Accompanying Notes are an Integral Part of These Statements.

**LOUISIANA ENERGY AND POWER AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| <b>OPERATING REVENUES</b>                            |                      |                      |
| Power Sales  | <u>\$ 72,969,020</u> | <u>\$ 76,185,111</u> |
| <b>OPERATING EXPENSES</b>                            |                      |                      |
| Cost of Power Produced                               | 32,051,715           | 34,901,704           |
| Power Purchased                                      | 30,317,108           | 27,275,225           |
| Transmission Costs                                   | 5,143,697            | 4,435,746            |
| General and Administrative                           | 2,680,262            | 2,821,396            |
| Depreciation   | <u>2,380,896</u>     | <u>6,877,843</u>     |
| Total Operating Expenses                             | <u>72,573,678</u>    | <u>76,311,914</u>    |
| Operating Income                                     | <u>395,342</u>       | <u>(126,803)</u>     |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>             |                      |                      |
| Interest Income                                      | 35,598               | 10,984               |
| Interest Expense                                     | -                    | (281,847)            |
| Amortization of Debt Expense                         | (4,135,257)          | (334,316)            |
| Amortization of Loss on Reaquired Debt               | -                    | (2,279,626)          |
| Gain on Disposition of Allowance                     | 17                   | 42                   |
| Net Increase (Decrease) in Fair Value of Investments | (26,297)             | -                    |
| Other  | <u>72,810</u>        | <u>58,416</u>        |
| Total Non-Operating Revenues (Expenses)              | <u>(4,053,129)</u>   | <u>(2,826,347)</u>   |
| <b>CHANGE IN FUND NET ASSETS</b>                     | <u>(3,657,787)</u>   | <u>(2,953,150)</u>   |
| <b>FUND NET ASSETS, BEGINNING OF YEAR</b>            | <u>18,623,225</u>    | <u>21,576,375</u>    |
| <b>FUND NET ASSETS, END OF YEAR</b>                  | <u>\$ 14,965,438</u> | <u>\$ 18,623,225</u> |

The Accompanying Notes are an Integral Part of These Statements.

**LOUISIANA ENERGY AND POWER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

|   | <u>2013</u>                 | <u>2012</u>                 |
|---|-----------------------------|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                             |                             |
| Received From Customers   | \$ 74,536,184               | \$ 75,447,843               |
| Received from Other Sources   | 72,810                      | 56,616                      |
| Payments for Power Produced   | (33,019,472)                | (35,456,272)                |
| Payments for Power Purchased  | (29,193,358)                | (27,350,295)                |
| Payments for Transmission Costs   | (5,095,725)                 | (4,353,314)                 |
| Payments for General and Administrative Expenses                        | <u>(2,714,333)</u>          | <u>(2,686,114)</u>          |
| Net Cash Provided By Operating Activities                               | <u>4,586,106</u>            | <u>5,658,464</u>            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>         |                             |                             |
| Development Fund Assessments  | (1,750,000)                 | 392,959                     |
| Proceeds from Bond Issuance   | 156,953,095                 | -                           |
| Principal Payments  | (9,035,000)                 | (8,545,000)                 |
| Interest Paid   | (259,756)                   | (765,181)                   |
| Research and Development Costs  | (1,374,809)                 | (1,401,986)                 |
| Purchase and Construction of Fixed Assets                               | (13,941,220)                | (3,009,697)                 |
| Debt Issuance Costs   | <u>(4,042,847)</u>          | <u>-</u>                    |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | <u>126,549,463</u>          | <u>(13,328,905)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                             |                             |
| Redemption of Investments-Net   | -                           | 4,479,000                   |
| Purchase of Investments - Net   | (100,416,692)               | -                           |
| Proceeds from Sale of Allowances  | 17                          | 42                          |
| Interest Received   | <u>123,653</u>              | <u>23,848</u>               |
| Net Cash Provided By (Used In) Investing Activities                     | <u>(100,293,022)</u>        | <u>4,502,890</u>            |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                  | <b>30,842,547</b>           | <b>(3,167,551)</b>          |
| Cash-Beginning of Year  | <u>21,127,605</u>           | <u>24,295,156</u>           |
| Cash-End of Year  | <u><b>\$ 51,970,152</b></u> | <u><b>\$ 21,127,605</b></u> |

The Accompanying Notes are an Integral Part of These Statements.

**LOUISIANA ENERGY AND POWER AUTHORITY**

**STATEMENTS OF CASH FLOWS - continued  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

|  | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided By</b> |                     |                     |
| <b>Operating Activities:</b>   |                     |                     |
| Operating Income (Loss) .  | \$ 395,342          | \$ (126,803)        |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash             |                     |                     |
| Provided by Operating Activities:  |                     |                     |
| Depreciation   | 2,380,896           | 6,877,843           |
| Other Revenue  | 72,810              | 58,416              |
| Changes in Assets and Liabilities:                                       |                     |                     |
| Accounts Receivable  | 1,652,015           | 204,890             |
| Fuel Inventory   | (1,797,303)         | (22,443)            |
| Prepaid Expenses   | (9,652)             | (17,892)            |
| Accounts Payable   | (520,401)           | (501,272)           |
| Due to Other Governments   | 2,427,776           | (855,701)           |
| Accrued Compensated Absences   | <u>(15,377)</u>     | <u>41,426</u>       |
| Net Cash Provided By Operating Activities                                | <u>\$ 4,586,106</u> | <u>\$ 5,658,464</u> |

The Accompanying Notes are an Integral Part of These Statements.



# LOUISIANA ENERGY AND POWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

### (A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**The Reporting Entity** - The Louisiana Energy and Power Authority (the Authority) was created as a political subdivision of the State of Louisiana in 1979 pursuant to Title 33 of the Louisiana Revised Statutes of 1950. Seventeen Louisiana municipalities currently are members of the Authority and are joined together in order to provide a reliable and economic supply of electric power and energy to member municipalities.

The Authority owns a 20% undivided interest, under the Joint Ownership Agreement, of a 530 MW coal-fired steam electric generating plant, the Rodemacher Unit No. 2 (the Unit). The Unit was constructed by CLECO Utility Group, Inc. (CLECO) and Lafayette Public Power Authority (LPPA) near Boyce, Louisiana adjacent to CLECO's Rodemacher Unit No. 1. CLECO and LPPA have ownership interests of 30% and 50%, respectively. The Authority's 20% undivided ownership interest in the Unit and its rights and interests under the Joint Ownership Agreement are referred to as the Project. The Joint Ownership Agreement dated November 15, 1982 shall remain in effect so long as the Project is useful for the generation of electricity or for a period of 35 years, whichever is less. In October 2012, the Joint Ownership Agreement was extended until June 30, 2032, or for so long as the Unit, the common facilities and the related facilities are used or useful for the generation of electricity, whichever is less.

**Basis of Accounting** - The Authority maintains its books and records using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The accounts of the Authority are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and are in conformity with generally accepted accounting principles (GAAP). Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statute 24:517 and to the guidelines set forth in the Louisiana Governmental Audit Guide. In certain instances, FERC regulations differed from generally accepted accounting principles. In those situations, the Authority followed the FERC guidance, as directed by law. However, amounts reported, according to FERC regulations, did not differ materially from GAAP.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Equity Classifications** - In the financial statements, equity is classified as net position and displayed in three components:

**Invested in capital assets, net of related debt** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at year-end. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted** - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Funds, Special Deposits and Investments** - Funds and special deposits consist of cash, overnight repurchase agreements, and obligations guaranteed by federal agencies. Pursuant to GASB Statement No. 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*, the Authority values its investments in debt securities at fair value. Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Governmental entities should report debt securities at fair value on the balance sheet. This statement also provides for the valuation of and the Authority carries money market investment such as short-term, highly liquid debt instruments, including U.S. Treasury and agency obligations at amortized cost.

**Accounts Receivable** - Significant receivables consist of amounts due from other governments under various agreements for the supply of energy. The statements contain no provision for uncollectible accounts. The Authority's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

**Property and Equipment** - Capital assets are stated at cost. Depreciation of utility plant and central dispatch facility are based upon the principal repayments of long-term debt (the sum of the bonds outstanding method), the proceeds of which were used to acquire the Rodemacher Unit No. 2. This method correlates with the rate setting policies prescribed by the Bond Resolution of the 1982 Series Power Project Revenue Bonds and the 1985, 1991, and 2000 Series Power Project Refunding Revenue Bonds in that debt service requirements, as opposed to depreciation or amortization, are considered a cost for the purpose of rate making. Depreciation of non-utility property is computed using the straight-line method over the estimated useful lives of the assets.

|                                | <u>Years</u> |
|--------------------------------|--------------|
| Vehicles                       | 5            |
| Buildings (non-utility)        | 10-35        |
| Office Furniture and Equipment | 1-10         |

Expenses incurred in making repairs and minor replacements and in maintaining the utility plant and central dispatch facility in efficient operating condition are charged to expense.

**Investments** - Investments are limited by R.S. 33:2955 and the Authority's investment policy. Under State law, the Authority may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in the State of Louisiana. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments meeting the criteria specified in the Statement are stated at fair value, which is either a quoted market price or the best estimate available. Investments which do not meet the requirements are stated at cost. These investments include overnight repurchase agreements. U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less are shown at amortized cost.

**Inventory** - Fuel Inventory is stated at the lower of cost or market as determined by the last-in, first-out method. Coal inventory amounted to \$5,731,234 representing 124,262 tons at December 31, 2013 and \$3,942,650 representing 87,913 tons at December 31, 2012.

The diesel inventory is stated at the lower of cost or market as determined by the last-in, first-out method and amounted to \$43,532 and \$34,813 at December 31, 2013 and 2012, respectively.

**Capitalization of Interest** - Interest costs relating to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction account investments. Interest revenue used to offset interest cost was \$327,001 for the year ended December 31, 2013 and includes amortization of the bond premium of \$306,519. The total interest costs incurred for the year ended December 31, 2013 was \$2,106,086. Interest capitalized was \$2,106,086 and interest expensed was \$0- for the year ended December 31, 2013. Net interest capitalized was \$1,779,085 for the year ended December 31, 2013.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Electric Revenue Bonds** - Bonds outstanding are stated at face value. The unamortized premium is reported separately on the face of the financial statements. The premium is being amortized over the life of the bonds issued.

**Rate Setting** - The Authority has entered into Rodemacher Power Sales Contracts with five of its member cities. These five members are referred to as Participants. The Authority bills each Participant monthly for its share of the electric power generated by the Rodemacher Unit No. 2 (the Project) (see notes D and G) and for certain items stipulated in the Bond Resolution which governs the bonds issued in 1982 to purchase the Authority's 20% interest in the Unit. To the extent billings related to the Project vary from actual expenses incurred by the Authority; the amounts billed to the Participants are adjusted.

The Authority has entered into Full Requirements Power Sales Contracts (the Full Requirements Approach) with two participants and five other members (the Full Requirements Members). These contracts renew for succeeding one year periods until terminated by either party by written notice 24 months prior to termination. The contracts also currently have a ten month opt-out provision. The Authority bills the Participants in the manner described above; however, the Authority buys the power back at actual cost to be distributed under the Full Requirements Approach. Rate setting for the Full Requirements Members is budgeted in advance and ratified by the Board of Directors. Rates are comprised of two basic components: (1) Energy Rate - which includes variable fuel costs and is billed on a KWH consumption basis and (2) Demand Rate - which includes all fixed costs and is billed on monthly peak KW basis.

Rates set by the Board of Directors are designed to recover all of the costs of the Authority and by contract are binding on its members. Therefore, the Authority meets the criteria and, accordingly, follows the reporting and accounting requirements of FASB ASC 980-10-15. The depreciation method, as described in Note A, has been established by the Board of Directors and depreciation expense is a component of cost under the FASB ASC 980-10-15.

**Cash Flows** - For purposes of the statements of cash flows, the Authority considers cash in banks and short-term investments with an original maturity of ninety days or less as cash and cash equivalents. These deposits are recorded at cost, which approximates fair value. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Accumulated Compensated Absences** - Allowable annual vacation and sick leave is prescribed by policy of the Authority, based on length of continuous employment by the Authority, accrued on an employment anniversary basis, and accrued to specified maximums.

The Authority's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

**Impact of Recently Issued Accounting Principles** - In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011, and has been implemented in fiscal year 2012. The adoption of GASBS No. 62 does not have any impact on the Authority's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This Statement is effective for periods beginning after December 15, 2011, and has been implemented in fiscal year 2012. The adoption of GASBS No. 63 does not have any impact on the Authority's financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of GASB Statement No. 65 must be implemented by the Authority for the year ending December 31, 2014.

(B) CASH, SPECIAL DEPOSITS AND INVESTMENTS

The bond resolutions for the 2013 Series Bonds provide for the creation and maintenance of certain funds and accounts relative to the operations of the Project. Management of the Authority believes they are in compliance with the requirements of the bond resolution. The Authority also maintains other accounts for its Full Requirements Approach operations.

Cash and special deposits and investments include bank balances and investments that at the financial statement date were entirely insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Cash balances are stated at cost, which approximates market.



LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2011

(B) CASH, SPECIAL DEPOSITS AND INVESTMENTS - continued

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The Authority has no custodial credit risk associated with these deposits.

Cash and cash equivalents included in the Cash Flow Statement as of December 31, 2013 and 2012 are as follows:

|                           | Fair Value           |                      |
|---------------------------|----------------------|----------------------|
|                           | 2013                 | 2012                 |
| Cash -                    |                      |                      |
| Restricted                | \$ 43,991,756        | \$ 13,464,201        |
| Other                     | <u>7,978,396</u>     | <u>7,663,404</u>     |
| Cash and Cash Equivalents | <u>\$ 51,970,152</u> | <u>\$ 21,127,605</u> |

Funds and accounts at December 31 are as follows:

|   | 2013                 | 2012                 |
|---|----------------------|----------------------|
| Rodemacher Project:                         |                      |                      |
| Restricted assets:                          |                      |                      |
| Debt service fund, debt service accounts    | \$ 3,017,167         | \$ 9,294,756         |
| Debt service reserve account                | 24,882               | -                    |
| Reserve and contingency fund:               |                      |                      |
| Renewal and replacement account             | 4,619,137            | 3,027,445            |
| Contingency account                         | 1,142,000            | 1,142,000            |
| Construction fund                           | 19,282,693           | -                    |
| Cost of issuance fund                       | <u>14,797</u>        | <u>-</u>             |
| Total Rodemacher project restricted cash    | <u>28,100,676</u>    | <u>13,464,201</u>    |
| Current assets:                             |                      |                      |
| Operations and maintenance trust            | 1,621,810            | 3,565,256            |
| Revenue fund                                | 81,047               | 50,000               |
| General revenue fund, project account       | <u>4,036,079</u>     | <u>1,356,441</u>     |
| Total Rodemacher project current assets     | <u>5,738,936</u>     | <u>4,971,697</u>     |
| Total Rodemacher project funds and accounts | <u>33,839,612</u>    | <u>18,435,898</u>    |
| LEPA Unit 1 Project:                        |                      |                      |
| Restricted assets:                          |                      |                      |
| Construction Fund                           | 15,758,910           | -                    |
| Capitalized interest fund                   | 39                   | -                    |
| Cost of issuance fund                       | <u>132,131</u>       | <u>-</u>             |
| Total LEPA Unit 1 project restricted cash   | <u>15,891,080</u>    | <u>-</u>             |
| Other funds and accounts at December 31:    |                      |                      |
| Current assets:                             |                      |                      |
| Other revenue fund                          | 2,196,044            | 2,507,594            |
| Contract operations account                 | 43,416               | 151,154              |
| CCT project development fund                | <u>-</u>             | <u>32,959</u>        |
| Total other funds and accounts              | <u>2,239,460</u>     | <u>2,691,707</u>     |
| Total project and other funds and accounts  | <u>\$ 51,970,152</u> | <u>\$ 21,127,605</u> |



**LOUISIANA ENERGY AND POWER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**(B) CASH, SPECIAL DEPOSITS AND INVESTMENTS - continued**

The 2013 Series Bond resolution authorizes the Authority to invest in direct obligations of the United States Government.

The Authority follows the provisions of GASB Statement 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires investments to be reported at fair value in the balance sheet. The net increase (decrease) in the fair value of investments, including both realized and unrealized gains and losses, is recognized as revenue in the Statement of Revenues, Expenses, and Net Position. The change in the net fair value of investments was a decrease of \$26,297 and \$-0- for the years ended December 31, 2013 and 2012, respectively.

The following table represents the fair value of investments by type at December 31, 2013 and 2012 as well as the maturities of these investments. All investments are insured, registered or securities held by the Authority or its agent in the Authority's name.

|  | Fair Value            |             |
|--|-----------------------|-------------|
|  | 2013                  | 2012        |
| Rodemacher Project:                        |                       |             |
| Debt Service Reserve:                      |                       |             |
| U.S. Agencies                              | \$ 3,249,556          | \$ -        |
| LEPA Unit 1 Project:                       |                       |             |
| Construction Fund:                         |                       |             |
| U.S. Treasury                              | 41,984,332            | -           |
| U.S. Agencies                              | 42,090,938            | -           |
| Capitalized Interest Fund:                 |                       |             |
| U.S. Treasury state and local government   | 12,810,367            | -           |
| Total project and other funds and accounts | <u>\$ 100,135,193</u> | <u>\$ -</u> |

During the years ended December 31, 2013 and 2012, the Authority realized no gain or loss from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The change in the net fair value of investments was a decrease of \$26,297 and \$-0- for the years ended December 31, 2013 and 2012, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain (loss) on investments held at December 31, 2013 and 2012 was \$(26,297) and -0-, respectively.

**Interest Rate Risk:** As a means of limiting its exposure to fair-value losses arising from rising interest rates, the Authority's investment policy limits the investment portfolio to "money market instruments", which are defined as very creditworthy, highly liquid investments with maturities of one year or less. Although there may be certain circumstances in which longer-term securities are utilized, the general use of long-term securities shall be avoided.

**Credit Risk/ Concentration of Credit Risk:** Because all investments of the Authority are either obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, or mutual funds, there is no credit risk or concentration of credit risk.

**LOUISIANA ENERGY AND POWER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**(C) FLOW OF FUNDS: RESTRICTIONS ON USE**

Under the terms of the resolution providing for the issuance of electric revenue bonds of the Authority to finance the acquisition of an ownership interest in a fossil fuel steam electric generating plant and for other purposes relating thereto, the bonds are special obligations of the Authority payable solely from and secured by the revenues and other funds including bond proceeds. Such revenues consist of all income, fees, charges, receipts, profits, and other money derived by the Authority from its ownership and operation of the fossil fuel steam electric generating plant, other than certain money derived during the period of construction. Money in the revenue fund shall be first applied to the payment of operating expenses of the plant, exclusive of depreciation and amortization.

Money in the revenue fund shall then be deposited into the debt service fund to pay principal, and interest on all bonds as they become due and payable and then applied to maintain in the debt service fund reserve account an amount equal to the maximum Adjusted Aggregate Debt Service requirement on all bonds (initially funded from bond proceeds). After making the required payments into the operating account and debt service fund, there shall be paid out of the revenue fund into the reserve and contingency fund an amount equal to the budgeted amount for the renewal and replacement account, and ten percent (10%) of the Aggregate Debt Service into the contingency account. After funding the reserve and contingency fund, amounts from the revenue fund shall be deposited into the subordinated indebtedness fund in amounts required to pay principal or sinking fund installments and interest on each issue of subordinated indebtedness and reserves thereon. Amounts from the revenue fund will next be deposited into the general reserve fund in amounts equal to the budgeted amount for the development account, limited to two percent (2%) of the Aggregate Debt Service. Finally, any remaining funds from the revenue fund are to be transferred into the project account.

As of December 31, 2013, all accounts requiring minimum balances were in compliance with the bond resolution.

**(D) PROPERTY AND EQUIPMENT**

The following is a summary of changes in property and equipment:

|                                     | Beginning<br>Balance<br>12/31/2012 | Additions     | Deletions      | Ending<br>Balance<br>12/31/2013 |
|-------------------------------------|------------------------------------|---------------|----------------|---------------------------------|
| Electric Plant                      | \$ 87,830,161                      | \$ 2,360,224  | \$ (26,146)    | \$ 90,164,239                   |
| Central Dispatch Facility           | 2,899,349                          | -             | -              | 2,899,349                       |
| Non-Utility Property                | 1,451,810                          | 9,455         | -              | 1,461,265                       |
| Capacitor Bank                      | 2,927,727                          | -             | -              | 2,927,727                       |
|                                     | 95,109,047                         | 2,369,679     | (26,146)       | 97,452,580                      |
| Less: Accumulated Depreciation      | (89,746,368)                       | (2,380,896)   | 26,146         | (92,101,118)                    |
| Net Property and Equipment          | \$ 5,362,679                       | \$ (11,217)   | \$ -           | \$ 5,351,462                    |
| Land                                | \$ 99,928                          | \$ -          | \$ -           | \$ 99,928                       |
| Construction Work in Progress:      |                                    |               |                |                                 |
| Rodemacher Electric Plant           | \$ 2,612,727                       | \$ 10,885,542 | \$ (2,360,224) | \$ 11,138,045                   |
| LEPA Unit 1 Electric Plant          | -                                  | 11,945,342    | -              | 11,945,342                      |
| Total Construction Work in Progress | \$ 2,612,727                       | \$ 22,830,884 | \$ (2,360,224) | \$ 23,083,387                   |

Depreciation expense for the years ended December 31, 2013 and 2012 was \$2,380,896 and \$6,877,843, respectively.

The Authority's acquisition cost of its interest in the Unit includes costs of certain facilities common to the Unit and CLECO's Unit No. 1 (common facilities).

**LOUISIANA ENERGY AND POWER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**(D) PROPERTY AND EQUIPMENT - continued**

Participants in the Rodemacher Unit No. 2 are liable for decommissioning costs upon termination of the Project. The Authority has no liability accrued for decommissioning costs at December 31, 2013.

**(E) ELECTRIC REVENUE BONDS**

In 2013, the Authority had two revenue bond issues.

On May 1, 2013, the Authority issued \$28,590,000 of Power Project Revenue Bonds (Rodemacher Unit No. 2), 2013 Series for environmental improvements at the Rodemacher power facility. The 2013 Series Bonds are payable solely from the revenues of the Authority and the funds pledged in accordance with the bond resolutions.

On October 13, 2013, the Authority issued \$120,770,000 of Power Project Revenue Bonds (LEPA Unit No. 1), 2013A Series for the construction of a 64 MW combined cycle combustion turbine electric generating unit. The 2013A Series Bonds are payable solely from the revenues of the Authority and the funds pledged in accordance with the bond resolutions.

The following is a summary of the electric revenue bonds transactions for the year ended December 31, 2013:

|                   | <u>Balance</u><br><u>12/31/2012</u> | <u>Additions</u>      | <u>Reductions</u>   | <u>Balance</u><br><u>12/31/2013</u> | <u>Due Within</u><br><u>One Year</u> |
|-------------------|-------------------------------------|-----------------------|---------------------|-------------------------------------|--------------------------------------|
| Serial Bond-2000  | \$ 9,035,000                        | \$ -                  | \$ 9,035,000        | \$ -                                | \$ -                                 |
| Serial Bond-2013  | -                                   | 28,590,000            | -                   | 28,590,000                          | 2,160,000                            |
| Serial Bond-2013a | -                                   | 120,770,000           | -                   | 120,770,000                         | -                                    |
| Total             | <u>\$ 9,035,000</u>                 | <u>\$ 149,360,000</u> | <u>\$ 9,035,000</u> | <u>\$ 149,360,000</u>               | <u>\$ 2,160,000</u>                  |

The Authority issues bonds where it pledges project power revenues, after payment of operating expenses, as well as assets of the Authority, as established by ordinance. Revenue bonds outstanding at December 31, 2013 and 2012 are as follows:

| <u>Purpose</u>                                    | <u>Issue</u><br><u>Date</u> | <u>2013</u>           | <u>2012</u>         |
|---|-----------------------------|-----------------------|---------------------|
| Electric Revenue Refunding Serial Bonds           |                             |                       |                     |
| Series 2000 5.0% - 5.75%                          | 11/17/2000                  | \$ -                  | \$ 9,035,000        |
| Electric Revenue Bonds Series 2013 3.00% - 5.00%  | 5/1/2013                    | 28,590,000            | -                   |
| Electric Revenue Bonds Series 2013A 3.00% - 5.25% | 10/17/2013                  | 120,770,000           | -                   |
| Total Principal Outstanding on Revenue Bonds      |                             | 149,360,000           | 9,035,000           |
| Unamortized Bond Premium                          |                             | 7,286,575             | -                   |
| Net Revenue Bonds Outstanding                     |                             | <u>\$ 156,646,575</u> | <u>\$ 9,035,000</u> |



LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

(E) ELECTRIC REVENUE BONDS - continued

Revenue bond debt service requirements to maturity are as follows:

| Year Ending<br>December 31, | Series 2013   |              | Series 2013A   |                |
|-----------------------------|---------------|--------------|----------------|----------------|
|                             | Principal     | Interest     | Principal      | Interest       |
| 2014                        | \$ 2,160,000  | \$ 1,467,642 | \$ -           | \$ 3,763,410   |
| 2015                        | 2,445,000     | 1,184,275    | -              | 6,048,337      |
| 2016                        | 2,530,000     | 1,097,000    | -              | 6,048,337      |
| 2017                        | 2,635,000     | 993,700      | 795,000        | 6,048,337      |
| 2018                        | 2,755,000     | 872,125      | 1,165,000      | 6,024,488      |
| 2019-2023                   | 16,065,000    | 2,088,125    | 11,550,000     | 29,068,788     |
| 2024-2028                   | -             | -            | 16,255,000     | 25,659,787     |
| 2029-2033                   | -             | -            | 20,910,000     | 21,134,538     |
| 2034-2038                   | -             | -            | 27,050,000     | 15,170,988     |
| 2039-2043                   | -             | -            | 34,945,000     | 7,441,250      |
| 2044                        | -             | -            | 8,100,000      | 405,000        |
| Totals                      | \$ 28,590,000 | \$ 7,702,867 | \$ 120,770,000 | \$ 126,813,260 |

| Year Ending<br>December 31, | Total          |                | Total          |
|-----------------------------|----------------|----------------|----------------|
|                             | Principal      | Interest       |                |
| 2014                        | \$ 2,160,000   | \$ 5,231,052   | \$ 7,391,052   |
| 2015                        | 2,445,000      | 7,232,612      | 9,677,612      |
| 2016                        | 2,530,000      | 7,145,337      | 9,675,337      |
| 2017                        | 3,430,000      | 7,042,037      | 10,472,037     |
| 2018                        | 3,920,000      | 6,896,613      | 10,816,613     |
| 2019-2023                   | 27,615,000     | 31,156,913     | 58,771,913     |
| 2024-2028                   | 16,255,000     | 25,659,787     | 41,914,787     |
| 2029-2033                   | 20,910,000     | 21,134,538     | 42,044,538     |
| 2034-2038                   | 27,050,000     | 15,170,988     | 42,220,988     |
| 2039-2043                   | 34,945,000     | 7,441,250      | 42,386,250     |
| 2044                        | 8,100,000      | 405,000        | 8,505,000      |
| Totals                      | \$ 149,360,000 | \$ 134,516,127 | \$ 283,876,127 |

(F) PENSION PLAN

Eligible employees of the Authority participate in the Municipal Employees' Retirement System, which is a cost-sharing, multiple-employer defined benefit public employee retirement system. The plan is controlled and administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Authority are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average.

# LOUISIANA ENERGY AND POWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

### (F) PENSION PLAN - continued

Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy – Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. The current rate was 18.75% of annual covered payroll. Contributions to the System also include  $\frac{1}{4}$  of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Authority are established and may be amended by state statute.

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Authority's contributions to the System under Plan A for the years ended December 31, 2013, 2012, and 2011 were \$392,827, \$401,908, and \$353,305, respectively, equal to the required contributions for each year.

### (G) COMMITMENTS AND CONTINGENCIES

#### Coal Purchase Commitment

On March 27, 2012, the Authority entered into a contract with a coal supplier. Under the contract, the Authority will purchase from the contracted party its share of coal used in producing power at the Rodemacher Unit No. 2 facility. The purchase contract is for the delivery of 2,610,000 tons of coal in total, for which the Authority has contracted to purchase 810,000 tons over the two-year term of the contract.

The term of the contract and annual quantities to be purchased are as follows:

| <u>Calendar<br/>Year</u> | <u>Annual<br/>Quantity</u> | <u>Committed<br/>Cost</u> | <u>Purchase<br/>Commitment</u> |
|--------------------------|----------------------------|---------------------------|--------------------------------|
| 2014                     | <u>360,000</u>             | \$13.00                   | <u>\$4,680,000</u>             |

#### Transmission Contracts

The Authority has entered into separate transmission agreements with Entergy and CLECO, pursuant to which electric power and energy received by the Authority from the Project are transmitted to the points of delivery of the Participants. The costs of delivery are shared by all Participants on a pro-rata basis. The costs of delivery of electric power and energy received by the Authority from sources other than the Project are included in the demand rate charged to the Full Requirements Members.

#### Operating Costs

Under the Joint Ownership Agreement, CLECO has the sole responsibility to operate, maintain and dispatch the Unit and related facilities in accordance with prudent utility practices. The Authority, CLECO, and LPPA pay all operation and maintenance costs other than fuel, based upon their respective ownership percentages of the Unit.



# LOUISIANA ENERGY AND POWER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

### (G) COMMITMENTS AND CONTINGENCIES - continued

#### Rodemacher Power Sales Contracts

Under the Rodemacher Power Sales Contracts, the Authority sells and the Participants purchase their respective shares (entitlement shares) of the capacity and energy of the Project. These contracts require payments to be made on a take-or-pay basis, whether or not the Project is operable or operating.

Under existing law, the rates charged by the Participants to their customers are not subject to regulation by any federal or state authority. Each Participant is obligated to establish rates and charges sufficient to pay all of its obligations to the Authority. Payments to be made by the participants are payable monthly solely from the revenues of the Participants' utilities systems.

At December 31, 2013, the Participants' respective shares of the capacity and energy of the Project are as follows:

|   | Entitlement<br>Share (MW) | Percent<br>Share (%) |
|---|---------------------------|----------------------|
| City of Alexandria                        | 55.26                     | 52.83                |
| Terrebonne Parish Consolidated Government | 22.70                     | 21.70                |
| City of Morgan City                       | 20.72                     | 19.81                |
| City of New Roads                         | 2.96                      | 2.83                 |
| City of Jonesville                        | <u>2.96</u>               | <u>2.83</u>          |
|   | <u>104.60</u>             | <u>100.00</u>        |

#### Full Requirements Approach Operations Agreements

The Authority supplies power to the Full Requirements Members under the following contracts:

- As discussed in Note A, the Authority has agreements with two of the Participants, whereby the Authority purchases their entitlements in the Project. These contracts renew for succeeding one year periods until terminated by either party by written notice 24 months prior to termination. These contracts also have a ten month opt out provision. Cancellation of these agreements does not relieve the Participants of their obligations under the Rodemacher Power Sales Contracts discussed above.
- The Authority has Capacity Purchase and Operating Agreements with three of the Full Requirements Members whereby the Authority operates the members' generation facilities and purchases all of the energy produced. These agreements have the same provisions as outlined above.
- The Authority has a Capacity Purchase Agreement with one Full Requirements Member whereby the Authority controls 100% of its dependable capacity and directs power generation quantities to meet its power requirements. This agreement has the same provisions as outlined above.
- The Authority entered into a Load Matching Servicing Agreement with one Participant whereby the Authority administers load-matching services.
- The Authority entered into an agreement with the Southwestern Power Administration (SWPA), whereby the Authority purchases hydroelectric power, which results from fixed power allocations of SWPA's available peaking capacity to certain member cities. The Authority resold hydroelectric power to one member city and retained the balance of the hydroelectric power for use under the Full Requirements Approach. Purchases under this contract for the year ended December 31, 2013 were \$1,058,772. Sales to one member city for the years ended December 31, 2013 and 2012 were \$376,527 and \$372,440, respectively.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

(G) COMMITMENTS AND CONTINGENCIES - continued

Construction Commitments/Contracts

On May 1, 2013, the Authority issued \$28,590,000 of Power Project Revenue Bonds (Rodemacher Unit No. 2) of the Louisiana Energy and Power Authority (the "Series 2013 Bonds"), for the purpose of environmental upgrades at the Rodemacher Power Station, funding a reserve for the Series 2013 Bonds and paying the costs of issuance with respect to the 2013 Series Bonds, said Series 2013 Bonds to be payable from the revenues of the Participants' combined Utility Systems as defined in the Power Sales Contracts.

As part of this contract, the Authority committed to CLECO for \$26,865,797 of improvements at the Rodemacher Power Station. As of December 31, 2013, \$10,272,071 of this commitment had been expended.

On October 17, 2013, the Authority issued \$120,770,000 of Power Project Revenue Bonds (LEPA Unit No 1) of the Louisiana Energy and Power Authority (the "Series 2013A Bonds"), for the purpose of constructing, acquiring and equipping the 64 MW combined cycle combustion turbine electric generating unit for the purpose of providing electric power and energy to the project participants, funding a reserve for the Series 2013A Bonds, paying capitalized interest on the Series 2013A Bonds, and paying costs of issuance with respect to the Series 2013A Bonds, said Series 2013A Bonds to be payable from the revenues of the Participants' Combined Utilities Systems as defined in the Power Sales Contracts.

As part of this project, several contracts have been entered into for the various components of the Project. The total amount committed under these contracts was \$41,952,385 as of December 31, 2013. An additional amount of \$58,966,407 was committed to after the December 31, 2013 year end. Of the total amount committed, \$9,315,400 had been expended as of December 31, 2013.

(H) RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority, through its agreement with CLECO and various other insurance policies, is insured to reduce the exposure to these risks.

(I) CONCENTRATIONS

During 2013, three customers each accounted for more than ten percent and, in the aggregate, more than fifty percent, of the Authority's power sales. Following are the sales to each of these customers for the year ended December 31, 2013:

|   |    |            |
|---|----|------------|
| City of Alexandria                        | \$ | 18,944,869 |
| Terrebonne Parish Consolidated Government | \$ | 17,303,060 |
| City of Morgan City                       | \$ | 11,021,390 |

(J) OTHER MATTERS

Members of the Board of Directors of the Authority received no compensation from the Authority for services rendered as directors during 2013 and 2012.

## LOUISIANA ENERGY AND POWER AUTHORITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

#### (K) ENVIRONMENTAL REGULATIONS

##### Environmental Regulations

##### Air Quality

The Authority is subject to federal, state and local laws and regulations governing the protection of the environment. Violations of these laws and regulations may result in substantial fines and penalties. The Authority has obtained the environmental permits necessary for its operation, and management believes the Authority is in compliance in all material respects with these permits, as well as all applicable environmental laws and regulations. Environmental requirements affecting electric power generation facilities are complex, change frequently, and have become more stringent over time as a result of new legislation, administrative actions, and judicial interpretations. Therefore, the capital costs and other expenditures necessary to comply with existing and new environmental requirements are difficult to determine.

The Authority's capital expenditures related to environmental compliance were \$10,272,071 in 2013 and are expected to be \$16,593,724 in 2014, primarily related to compliance with MATS.

Air emissions from each of the Authority's generating units are strictly regulated by the Environmental Protection Agency (EPA) and the Louisiana Department of Environmental Quality (LDEQ). The LDEQ has authority over and implements certain air quality programs established by the EPA under the federal Clean Air Act (CAA), as well as its own air quality regulations. The LDEQ establishes standards of performance and requires permits for electric generating units in Louisiana. All of the Authority's generating units are subject to these requirements.

The EPA has proposed and adopted rules under the authority of the CAA relevant to the emissions of sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) from the Authority's generating units. The CAA established the Acid Rain Program to address the effects of acid rain and imposed restriction on SO<sub>2</sub> emissions from certain generating units. The CAA requires these generating units to possess a regulatory "allowance" for each ton of SO<sub>2</sub> emitted beginning in the year 2000. The EPA allocates a set number of allowances to each affected unit based on its historic emissions. As of December 31, 2013, the Authority had sufficient allowances for 2013 operations and expects to have sufficient allowances for 2014 operations under the Acid Rain Program. The Acid Rain Program also established emission rate limits on NO<sub>x</sub> emissions for certain generating units. The Authority is able to achieve compliance with the Acid Rain Program permit limits for NO<sub>x</sub> at all of its affected facilities.

In July 2011, the EPA finalized a rule titled "Federal Implementation Plans to Reduce Interstate Transport of Fine Particulate Matter and Ozone" known as CSAPR that would require significant reductions in SO<sub>2</sub> and NO<sub>x</sub> emissions from electric generating units (EGUs) in 28 states, including Louisiana. Under CSAPR, the EPA would set total emissions limits for each state allowing limited interstate (and unlimited intrastate trading) of emission allowances among power plants to comply with these limits beginning May 1, 2012. Specifically for Louisiana, CSAPR would limit NO<sub>x</sub> emissions for the ozone season, consisting of the months of May through September.

In December 2011, in response to numerous petitions by both state and industry participants, the D.C. Circuit Court of Appeals issued an order staying implementation of CSAPR pending resolution of legal challenges to the rule. The Court further ordered that the Clean Air Interstate Rule, a predecessor rule to CSAPR, remain in place while CSAPR is stayed. In August 2012, the D.C. Circuit Court of Appeals issued a 2-1 opinion vacating and remanding CSAPR. As such, CSAPR is vacated and CAIR is reinstated in its place for now. The D.C. Circuit Court ordered the EPA to rewrite the rules in an expeditious fashion to address the flaws of CSAPR. In March 2013, the EPA petitioned the Supreme Court to review the lower court's decision to vacate CSAPR. In June 2013, The Supreme Court announced that it would grant the EPA's petition for a writ of certiorari to hear *EPA, v. EME Homer City, et al.* A ruling is expected by the summer of 2014. If the EPA is unsuccessful in the appeals process and undertakes rewriting a new rule, it is uncertain what the new rule will entail. It is very likely that any compliance requirements of a new rule will be delayed for at least a year or more. Until then, CAIR remains in effect.

## LOUISIANA ENERGY AND POWER AUTHORITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

#### (K) ENVIRONMENTAL REGULATIONS - continued

The EPA also has adopted rules under Section 112 of the CAA governing the emissions of mercury and other hazardous air pollutants from certain EGUs. The EPA established maximum achievable control technology (MACT) standards for coal-fired EGUs in late 2011, and signed a final rule setting forth national emissions standards for hazardous air pollutants from coal- and oil-fired electric utility steam generating units on December 16, 2011. The final rule is now known as MATS. MATS requires affected EGUs to meet specific numeric emission standards and work practice standards to address hazardous air pollutants.

MATS imposes strict emission limits on new and existing coal- and oil-fired EGUs for mercury, acid gases, and non-mercury metallic pollutants. Affected EGUs also have to comply with certain work practice standards to control the emission of organic air toxins. MATS allows existing sources approximately three years to comply with the rule. The actual compliance deadline is April 16, 2015. A one-year compliance extension is available with approval from the relevant permitting authority, which is the Louisiana Department of Environmental Quality, if that facility is actively installing control equipment to comply with the rule.

The Authority, in cooperation with joint owners CLECO and LPPA, has completed its evaluation of control technology options for Rodemacher Unit 2. The Authority has identified the capital expenditures that are necessary to engineer, procure and install pollution controls and emissions monitoring equipment to ensure the Authority will be in a position to comply with MATS in a timely manner. The Authority expects to incur total capital expenditures of \$26.9 million in 2013 and 2014.

Greenhouse gases (GHG) and their role in climate change have been the focus of recent study and legal action, including proposed federal legislation, final and proposed federal rulemakings, and civil actions. Fossil fuel-fired EGUs emit a significant amount of GHG in the combustion process. Congress has attempted to craft specific legislation that would reduce emissions of GHG by utilities, industrial facilities, and other manufacturing sectors of the economy. While Congressional attempts have not been successful, the possibility exists that federal GHG legislation may be enacted within the next several years.

#### Water Quality

The Authority's facilities are also subject to federal and state laws and regulations regarding wastewater discharges. The Authority has received from the EPA and the LDEQ permits required under the federal Clean Water Act (CWA) for wastewater discharges from its generating stations. Wastewater discharge permits have fixed dates of expiration and the Authority applies for renewals of these permits within the applicable time periods.

In March 2011, the EPA proposed regulations which would establish standards for cooling water intake structures at existing power plants and other facilities pursuant to Section 316(b) of the CWA. As presently drafted, portions of the proposed rule could apply to the Rodemacher Power Station. Until more thorough studies are conducted, including technical and economic evaluations of the control options available and a final rule is issued, the Authority remains uncertain which technology options or retrofits will be required to be installed. However, the costs of required technology options and retrofits may be significant.

#### (L) OPERATING LEASES

On April 1, 2012, the Authority entered into a lease for land. The primary term of the lease commenced on the effective date and expires on December 31, 2013. There are multiple renewal options, the first being a fifty (50) year period and then nine (9) additional 5-year periods. The lease year is defined as any twelve month period commencing January 1 and ending the last day of December. The annual base rent is \$25,987.50 and will be adjusted every five (5) years of the fifty (50) year term based on current appraised value. The Authority exercised the first renewal option at the end of 2013.

**LOUISIANA ENERGY AND POWER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**(L) OPERATING LEASES - continued**

Future minimum lease payments under this operating lease are as follows:

Year Ended December 31,

|           |                     |
|-----------|---------------------|
| 2014      | \$ 25,988           |
| 2015      | 25,988              |
| 2016      | 25,988              |
| 2017      | 25,988              |
| 2016      | 25,988              |
| 2017-2023 | 129,938             |
| 2024-2028 | 129,938             |
| 2029-2033 | 129,938             |
| 2034-3038 | 129,938             |
| 2039-2043 | 129,938             |
| 2044-2048 | 129,938             |
| 2049-2053 | 129,938             |
| 2054-2058 | 129,938             |
| 2059-2063 | 129,938             |
|           | <u>\$ 1,299,382</u> |

**(M) SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through April 1, 2014, the date the financial statements were available to be issued.

**(N) NEW ACCOUNTING PRONOUNCEMENTS**

In June, 2012, the GASB approved Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 67 replaces the requirements of GASB Statement Nos. 25 and 50 relating to financial reporting and note disclosures of pension plans. GASB Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through plans covered by Statement No. 67. The provisions of GASB Statement No. 67 must be implemented by the Authority for the year ending December 31, 2014 and provisions of GASB Statement No. 68 must be implemented by the Authority for the year ending December 31, 2015. The effect of implementation of these statements on the Authority's financial statements has not yet been determined.



## **SUPPORTING SCHEDULES**

LOUISIANA ENERGY AND POWER AUTHORITY  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

|  | Funds Held by Trustee           |                     |                      |                              |              |                   |                       |
|--|---------------------------------|---------------------|----------------------|------------------------------|--------------|-------------------|-----------------------|
|  | Reserve and Contingency Fund    |                     | Rodemacher Project   |                              |              |                   |                       |
|  | Renewal and Replacement Account | Contingency Account | Debt Service Account | Debt Service Reserve Account | Revenue Fund | Construction Fund | Cost of Issuance Fund |
| Fund Balances at December 31, 2012     | \$ 3,027,445                    | \$ 1,142,000        | \$ 9,294,756         | \$ -                         | \$ 50,000    | \$ -              | \$ -                  |
| Receipts from Other Funds              | 10,807,695                      | -                   | 3,017,167            | 20,434                       | 3,606,731    | -                 | -                     |
| Disbursements to Other Funds           | (269)                           | (76)                | (98)                 | (11,274)                     | (35,372,082) | (9,407,695)       | (163,425)             |
| Receipts from Participants             | -                               | -                   | -                    | -                            | 31,655,807   | -                 | -                     |
| Payments to CLECO - Construction Costs | (9,216,003)                     | -                   | -                    | -                            | -            | -                 | -                     |
| Receipts of Investment Income          | 269                             | 76                  | 98                   | 11,267                       | 129          | 1,383             | 4                     |
| Bond Proceeds                          | -                               | -                   | -                    | 3,264,712                    | -            | 28,689,005        | 478,981               |
| Payment of Bond Interest               | -                               | -                   | (259,756)            | -                            | -            | -                 | -                     |
| Payment of Bond Principal              | -                               | -                   | (9,035,000)          | -                            | -            | -                 | -                     |
| Amortization of Premium (Discount)     | -                               | -                   | -                    | -                            | -            | -                 | -                     |
| on Investments                         | -                               | -                   | -                    | 785                          | -            | -                 | -                     |
| Purchase of Interest on Investment     | -                               | -                   | -                    | (9,682)                      | -            | -                 | -                     |
| Increase(Decrease) in Fair Value       | -                               | -                   | -                    | (1,804)                      | -            | -                 | -                     |
| Other Receipts (Disbursements)         | -                               | -                   | -                    | -                            | 140,462      | -                 | (300,763)             |
| Fund Balances at December 31, 2013     | \$ 4,619,137                    | \$ 1,142,000        | \$ 3,017,167         | \$ 3,274,438                 | \$ 81,047    | \$ 19,282,693     | \$ 14,798             |
| Fund Balances at December 31, 2013     | are comprised of:               |                     |                      |                              |              |                   |                       |
| Cash                                   | -                               | -                   | -                    | -                            | -            | -                 | -                     |
| Temporary Cash Investments             | 4,619,137                       | 1,142,000           | 3,017,167            | 24,882                       | 81,047       | 19,282,693        | 14,798                |
| US Treasury & Agency Investments       | -                               | -                   | -                    | 3,249,556                    | -            | -                 | -                     |
|  | \$ 4,619,137                    | \$ 1,142,000        | \$ 3,017,167         | \$ 3,274,438                 | \$ 81,047    | \$ 19,282,693     | \$ 14,798             |

LOUISIANA ENERGY AND POWER AUTHORITY

SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

|  | Funds Held by Trustee |                       |                           |  | Funds Held by the Authority      |                 |                    |                             | TOTAL     |                              |  |
|--|-----------------------|-----------------------|---------------------------|--|----------------------------------|-----------------|--------------------|-----------------------------|-----------|------------------------------|--|
|  | CCGT Project          |                       |                           |  | Project                          |                 |                    |                             |           | Other                        |  |
|  | Construction Fund     | Cost of Issuance Fund | Capitalized Interest Fund |  | Operations and Maintenance Trust | Project Account | Other Revenue Fund | Contract Operations Account |           | CCT Project Development Fund |  |
| Fund Balances at December 31, 2012                   | \$ -                  | \$ -                  | \$ -                      |  | \$ 3,565,256                     | \$ 1,356,441    | \$ 2,507,594       | \$ 151,154                  | \$ 32,959 | \$ 21,127,605                |  |
| Receipts from Other Funds                            | -                     | -                     | -                         |  | 27,337,394                       | 4,711,544       | 4,212,521          | 21,376,614                  | -         | 75,090,100                   |  |
| Disbursements to Other Funds                         | (3,205,390)           | (195,000)             | -                         |  | (114)                            | (2,032,051)     | (24,669,653)       | -                           | (32,973)  | (75,090,100)                 |  |
| Receipts from Participants                           | -                     | -                     | -                         |  | -                                | -               | 46,687,671         | -                           | -         | 78,343,478                   |  |
| Payments to CLECO - Construction Costs               | -                     | -                     | -                         |  | -                                | -               | -                  | -                           | -         | (9,216,003)                  |  |
| Receipts of Investment Income                        | 101,302               | 4                     | 39                        |  | 113                              | 145             | 8                  | 440                         | 14        | 115,292                      |  |
| Bond Proceeds  | 108,012,252           | 982,572               | 12,810,367                |  | -                                | -               | -                  | -                           | -         | 154,237,889                  |  |
| Payment of Bond Interest                             | -                     | -                     | -                         |  | -                                | -               | -                  | -                           | -         | (259,756)                    |  |
| Payment of Bond Principal                            | -                     | -                     | -                         |  | -                                | -               | -                  | -                           | -         | (9,035,000)                  |  |
| Amortization of Premium (Discount) on Investments    | (112,449)             | -                     | -                         |  | -                                | -               | -                  | -                           | -         | (111,664)                    |  |
| Purchase of Interest on Investment                   | (133,855)             | -                     | -                         |  | -                                | -               | -                  | -                           | -         | (143,537)                    |  |
| Increase(Decrease) in Fair Value                     | (24,493)              | -                     | -                         |  | -                                | -               | -                  | -                           | -         | (26,297)                     |  |
| Other Receipts (Disbursements)                       | (4,803,187)           | (655,445)             | -                         |  | (29,280,839)                     | -               | (26,542,097)       | (21,484,792)                | -         | (82,926,661)                 |  |
| Fund Balances at December 31, 2013                   | \$ 99,834,180         | \$ 132,131            | \$ 12,810,406             |  | \$ 1,621,810                     | \$ 4,036,079    | \$ 2,196,044       | \$ 43,416                   | \$ -      | \$ 152,105,346               |  |
| Fund Balances at December 31, 2013 are comprised of: |                       |                       |                           |  |                                  |                 |                    |                             |           |                              |  |
| Cash   | -                     | -                     | -                         |  | -                                | -               | 2,196,044          | 43,416                      | -         | \$ 2,239,460                 |  |
| Temporary Cash Investments                           | 15,758,910            | 132,131               | 39                        |  | 1,621,810                        | 4,036,079       | -                  | -                           | -         | 49,730,693                   |  |
| US Treasury & Agency Investments                     | 84,075,270            | -                     | 12,810,367                |  | -                                | -               | -                  | -                           | -         | 100,135,193                  |  |
|  | \$ 99,834,180         | \$ 132,131            | \$ 12,810,406             |  | \$ 1,621,810                     | \$ 4,036,079    | \$ 2,196,044       | \$ 43,416                   | \$ -      | \$ 152,105,346               |  |

## LOUISIANA ENERGY AND POWER AUTHORITY

COMBINING SCHEDULE OF NET POSITION  
DECEMBER 31, 2013

|                                      | ASSETS | Project<br>Related   | Other                 | Eliminations          | Combined              |
|--------------------------------------|--------|----------------------|-----------------------|-----------------------|-----------------------|
| <b>CURRENT ASSETS</b>                |        |                      |                       |                       |                       |
| Cash                                 |        | \$ 5,738,936         | \$ 2,239,460          | \$ -                  | \$ 7,978,396          |
| Accounts Receivable                  |        | (2,632,580)          | 7,991,960             | (2,439,530)           | 2,919,850             |
| Fuel Inventory                       |        | 5,731,234            | 43,532                | -                     | 5,774,766             |
| Accrued Interest Receivable          |        | 22,669               | 163,880               | -                     | 186,549               |
| Prepaid Expenses                     |        | -                    | 175,622               | -                     | 175,622               |
| Total Current Assets                 |        | <u>8,860,259</u>     | <u>10,614,454</u>     | <u>(2,439,530)</u>    | <u>17,035,183</u>     |
| <b>NON-CURRENT ASSETS</b>            |        |                      |                       |                       |                       |
| <b>RESTRICTED ASSETS</b>             |        |                      |                       |                       |                       |
| Cash                                 |        |                      |                       |                       |                       |
| Renewal and Replacement              |        | 4,619,137            | -                     | -                     | 4,619,137             |
| Contingency                          |        | 1,142,000            | -                     | -                     | 1,142,000             |
| Debt Service                         |        | 3,017,167            | -                     | -                     | 3,017,167             |
| Debt Service Reserve                 |        | 24,882               | -                     | -                     | 24,882                |
| Construction Fund                    |        | 19,282,693           | 15,758,910            | -                     | 35,041,603            |
| Capitalized Interest Fund            |        | -                    | 39                    | -                     | 39                    |
| Cost of Issuance Fund                |        | 14,797               | 132,131               | -                     | 146,928               |
| Investments                          |        |                      |                       |                       |                       |
| Renewal and Replacement              |        | -                    | -                     | -                     | -                     |
| Debt Service Reserve                 |        | 3,249,556            | -                     | -                     | 3,249,556             |
| Construction Fund                    |        | -                    | 84,075,270            | -                     | 84,075,270            |
| Capitalized Interest Fund            |        | -                    | 12,810,367            | -                     | 12,810,367            |
| Total Restricted Assets              |        | <u>31,350,232</u>    | <u>112,776,717</u>    | <u>-</u>              | <u>144,126,949</u>    |
| <b>PROPERTY, PLANT AND EQUIPMENT</b> |        |                      |                       |                       |                       |
| Utility Plant                        |        | 101,302,284          | 11,945,342            | -                     | 113,247,626           |
| Central Dispatch Facility            |        | -                    | 2,999,277             | -                     | 2,999,277             |
| Capacitor Bank                       |        | -                    | 2,927,727             | -                     | 2,927,727             |
| Non-utility Property                 |        | -                    | 1,461,265             | -                     | 1,461,265             |
| Total                                |        | 101,302,284          | 19,333,611            | -                     | 120,635,895           |
| Less: Accumulated Depreciation       |        | (87,955,709)         | (4,145,409)           | -                     | (92,101,118)          |
| Net Property, Plant and Equipment    |        | <u>13,346,575</u>    | <u>15,188,202</u>     | <u>-</u>              | <u>28,534,777</u>     |
| Total Non-Current Assets             |        | <u>44,696,807</u>    | <u>127,964,919</u>    | <u>-</u>              | <u>172,661,726</u>    |
| <b>TOTAL ASSETS</b>                  |        | <u>\$ 53,557,066</u> | <u>\$ 138,579,373</u> | <u>\$ (2,439,530)</u> | <u>\$ 189,696,909</u> |

LOUISIANA ENERGY AND POWER AUTHORITY

COMBINING SCHEDULE OF NET POSITION  
DECEMBER 31, 2013

| LIABILITIES AND NET POSITION                              | Project<br>Related   | Other                 | Eliminations          | Combined              |
|---|----------------------|-----------------------|-----------------------|-----------------------|
| <b>CURRENT LIABILITIES</b>                                |                      |                       |                       |                       |
| Accounts Payable  | \$ 3,786,194         | \$ 6,799,229          | \$ (2,439,530)        | \$ 8,145,893          |
| Due to Other Governments                                  | 7,147,805            | -                     | -                     | 7,147,805             |
| Total Current Liabilities                                 | 10,933,999           | 6,799,229             | (2,439,530)           | 15,293,698            |
| <b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b> |                      |                       |                       |                       |
| Accrued Interest Payable                                  | 857,167              | 1,248,919             | -                     | 2,106,086             |
| Current Portion of Revenue Bonds Payable                  | 2,160,000            | -                     | -                     | 2,160,000             |
| Total Current Liabilities Payable From Restricted Assets  | 3,017,167            | 1,248,919             | -                     | 4,266,086             |
| <b>NON-CURRENT LIABILITIES</b>                            |                      |                       |                       |                       |
| Revenue Bonds Payable                                     | 26,430,000           | 120,770,000           | -                     | 147,200,000           |
| Less: Unamortized Premium                                 | 3,750,603            | 3,535,972             | -                     | 7,286,575             |
| Accrued Compensated Absences                              | -                    | 685,112               | -                     | 685,112               |
| Total Non-Current Liabilities                             | 30,180,603           | 124,991,084           | -                     | 155,171,687           |
| <b>TOTAL LIABILITIES</b>                                  | <b>\$ 44,131,769</b> | <b>\$ 133,039,232</b> | <b>\$ (2,439,530)</b> | <b>\$ 174,731,471</b> |
| <b>FUND NET POSITION</b>                                  |                      |                       |                       |                       |
| Invested in Capital Assets, Net of Related Debt           | \$ (568,502)         | \$ (10,532,509)       | \$ -                  | \$ (11,101,011)       |
| Restricted for Debt Service                               | 6,291,605            | 12,810,406            | -                     | 19,102,011            |
| Unrestricted  | 3,702,194            | 3,262,244             | -                     | 6,964,438             |
| <b>TOTAL FUND NET POSITION</b>                            | <b>\$ 9,425,297</b>  | <b>\$ 5,540,141</b>   | <b>\$ -</b>           | <b>\$ 14,965,438</b>  |



LOUISIANA ENERGY AND POWER AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013

|   | Project<br>Related | Other         | Eliminations   | Combined      |
|---|--------------------|---------------|----------------|---------------|
| <b>OPERATING REVENUES</b>                   |                    |               |                |               |
| Power Sales                                 | \$ 32,334,993      | \$ 46,315,010 | \$ (5,680,983) | \$ 72,969,020 |
| <b>OPERATING EXPENSES</b>                   |                    |               |                |               |
| Cost of Power Produced                      | 25,843,816         | 6,309,967     | (102,068)      | 32,051,715    |
| Power Purchased                             | -                  | 35,896,023    | (5,578,915)    | 30,317,108    |
| Transmission Costs                          | 1,878,240          | 3,265,457     | -              | 5,143,697     |
| General and Administrative                  | -                  | 2,680,262     | -              | 2,680,262     |
| Depreciation                                | 2,160,000          | 220,896       | -              | 2,380,896     |
| Total Operating Expenses                    | 29,882,056         | 48,372,605    | (5,680,983)    | 72,573,678    |
| Operating Income                            | 2,452,937          | (2,057,595)   | -              | 395,342       |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>    |                    |               |                |               |
| Interest Income                             | 35,144             | 454           | -              | 35,598        |
| Interest Expense                            | -                  | -             | -              | -             |
| Amortization of Debt Expense                | (572,021)          | (3,563,236)   | -              | (4,135,257)   |
| Amortization of Loss on Reacquired Debt     | -                  | -             | -              | -             |
| Gain on Disposition of Allowance            | 17                 | -             | -              | 17            |
| Net Increase in Fair Value of Investments   | (1,804)            | (24,493)      | -              | (26,297)      |
| Other                                       | (1,582,086)        | 1,654,896     | -              | 72,810        |
| Total Non-Operating Revenues (Expenses)     | (2,120,750)        | (1,932,379)   | -              | (4,053,129)   |
| <b>CHANGE IN FUND NET POSITION</b>          | 332,187            | (3,989,974)   | -              | (3,657,787)   |
| <b>FUND NET POSITION, BEGINNING OF YEAR</b> | 9,093,110          | 9,530,115     | -              | 18,623,225    |
| <b>FUND NET POSITION, END OF YEAR</b>       | \$ 9,425,297       | \$ 5,540,141  | \$ -           | \$ 14,965,438 |

# WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

Certified Public Accountants  
100 Petroleum Drive, 70508  
P.O. Box 80569 • Lafayette, Louisiana 70598-0569  
(337) 232-3637 • Fax (337) 235-8557  
[www.wmddh.com](http://www.wmddh.com)

JOHN W. WRIGHT, CPA \*

JAMES H. DUPUIS, CPA, CFP \*

JAN H. COWEN, CPA \*

LANCE E. CRAPPELL, CPA, CGMA \*

MICAH R. VIDRINE, CPA \*

TRAVIS M. BRINSKO, CPA \*

RICK L. STUTES, CPA, CVA/ABV, APA \*

CHRISTINE R. DUNN, CPA\*\*

DAMIAN H. SPIESS, CPA, CFP \*\*

JOAN MARTIN, CPA, CVA, CFP, DABFA\*\*

BRIDGET B. TILLEY, CPA, MT\*\*

\* A PROFESSIONAL CORPORATION  
\*\* A LIMITED LIABILITY COMPANY

M. TROY MOORE, CPA \*+  
MICHAEL G. DEHART, CPA \*+  
JOE D. HUTCHINSON, CPA \*+

+RETIRED



STEPHANIE A. BLANK, CPA

ROBERT T. DUCHARME, II, CPA

STEFAN HAWKINS, CPA

KAYLEEN HOWARD, CPA

MARY PATRICIA KEELEY, CPA

STEPHANIE LADNER, CPA

ROBIN T. LeBLANC, CPA

WENDY ORTEGO, CPA, CVA

ROBIN ROOT, CPA

ROBIN G. STOCKTON, CPA

TINA B. VIATOR, CPA

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Louisiana Energy and Power Authority  
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Energy and Power Authority as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Louisiana Energy and Power Authority's internal control over financial reporting (internal control) to determine the audit as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Energy and Power Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana Energy and Power Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Energy and Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

CIRCULAR 230 DISCLOSURE - To ensure compliance with the recently issued U.S. Treasury Circular 230 Notice, unless otherwise expressly indicated, any tax advice contained in this communication, or attachments thereto, was not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending any tax-related matter addressed herein.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson*

WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, L.L.C.  
Certified Public Accountants

April 1, 2014  
Lafayette, Louisiana

**LOUISIANA ENERGY AND POWER AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

We have audited the financial statements of the Louisiana Energy and Power Authority as of and for the year ended December 31, 2013, and have issued our report thereon dated April 1, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Our audit of the financial statements as of December 31, 2013 resulted in an unqualified opinion.

**Section I – Summary of Auditors’ Reports**

**A. Report on Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

Material Weaknesses      ☐ Yes ☒ No  
Control Deficiency      ☐ Yes ☒ No

**Compliance**

Compliance Material to Financial Statements      ☐ Yes ☒ No

**Section II – Financial Statement Findings**

There were no current year findings.

**Section III – Federal Award Findings and Questioned Costs.**

This section is not applicable for the year ended December 31, 2013.

**LOUISIANA ENERGY AND POWER AUTHORITY**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

There were no prior year findings.



**LOUISIANA ENERGY AND POWER AUTHORITY**  
**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

No current year findings were noted, therefore, no response is deemed necessary.